

Message Text

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ACTION IO-10

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TO SECSTATE WASHDC 7709

INFO AMEMBASSY LIMA

AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: ECLA

SUBJECT: ECLA PLENARY MEETING - MAY 7

DEPARTMENT PASS OTHER POSTS AS APPROPRIATE

1. SUMMARY. AT ECLA PLENARY MAY 7 EXEC SEC IGLESIAS IN WELL-BALANCED SPEECH NOTED RECENT LA ECONOMIC PROGRESS BUT SAID WORLD ECONOMIC DEVELOPMENTS DARKEN LA ECONOMIC OUTLOOK FOR NEXT FEW YEARS. FOR SHORT RUN HE URGED THAT LA COUNTRIES NOT RESTRICT INTRA-ZONAL TRADE FOR B/P REASONS, AND PLEADED FOR DEVELOPED COUNTRIES TO REALIZE THEIR STAKE IN LA PURCHASING POWER, WITH SPECIFIC SUGGESTION THAT A SAFETY NET BASED ON A \$4 BILLION FUND BE ESTABLISHED. PERU EMPHASIZED ITS INTERNAL MOVES TO RECTIFY ECONOMIC AND SOCIAL INEQUITIES. CUBA BOASTED OF ITS ACHIEVEMENTS IN ALL FIELDS AND BLAMED LA TROUBLES ON CRIMINAL NORTH AMERICAN IMPERIALISM. VENEZUELA SPOKE GENERALLY OF THE FINANCIAL AID IT IS PROVIDING, DID NOT MENTION US TRADE ACT ISSUE. ANDEAN GROUP AND

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IMF REPS GAVE RUNDOWN OF THEIR ACTIVITIES. END SUMMARY.

2. ECLA EXEC SEC IGLESIAS OPENED MAY 7 PLENARY MEETING WITH WELL-BALANCED SPEECH WHICH PLACED EMPHASIS ON NEED FOR CONCRETE ACTIONS. HE STRESSED PROGRESS RECENTLY MADE BY THE REGION AND GAVE IMPRESSIVE FIGURES ON GNP AND INDUSTRIAL ADVANCE DURING PAST QUARTER CENTURY. HOWEVER, TRADITIONAL LA ASSUMPTIONS ABOUT WORLD DEVELOPMENTS WILL PROBABLY HAVE TO CHANGE. UNPRECEDENTED INFLATION, RECESSION, ECOLOGICAL AND ENERGY PROBLEMS ARE NOW CONFRONTING THE DEVELOPED COUNTRIES. LA TERMS OF TRADE ARE WORSENING AND THIS TREND IS PROJECTED TO CONTINUE THROUGH 1980. RETURN TO PROTECTIONISM IN DC'S THREATENS, AND WOULD HURT LA INDUSTRIAL EXPORTS WHICH HAVE RECENTLY SOARED. FOREIGN AID LEVELS ARE DROPPING. PRIVATE CAPITAL MOVEMENT TO LA IS SLOWING DOWN AND BECOMING MORE SELECTIVE.

3. IGLESIAS SAID THREE CENTRAL NEEDS EMERGE: (A) THE 100 MILLION LATIN AMERICANS LIVING IN ABJECT POVERTY (ALMOST ONE-THIRD OF THE POPULATION) MUST BE ENCOMPASSED IN THE ECONOMIC PLANNING OF GOVERNMENTS, E.E., TRADITIONAL INCOME DISTRIBUTION POLICIES MUST CHANGE, A BIG NEED IN THE COMING YEARS IS AN IMPROVEMENT IN AGRICULTURAL POLICY (65 MILLION OF THE POOR PEOPLE LIVE ON THE LAND). (B) NEW CONCEPTS FOR REGIONAL COMPLEMENTATION MUST BE DEvised. INTEGRATION AGREEMENTS NEED REVISION; THERE ARE DYNAMIC SECTORS SUCH AS FERTILIZERS AND PETRO-CHEMICALS WHERE INTEGRATION CAN BE PRESSED. IN THIS CONNECTION THE "MERCANTILIST" PHILOSOPHY OF RECIPROCITY SHOULD BE AVOIDED. (C) ACTION TO IMPROVE RAW MATERIALS PRICES IS NEEDED, WITHOUT WHICH NO NEW INTERNATIONAL ECONOMIC ORDER CAN BE CONSOLIDATED.

4. GETTING SOMEWHAT MORE SPECIFIC, IGLESIAS OFFERED TWO WHAT HE CALLED ECLA SECRETARIAT PROPOSALS FOR THE SHORT TERM: (A) HE URGED THAT BARRIERS NOT BE ERECTED TO INTRA-ZONAL TRADE. HE SAID THIS WAS A TEMPTATION FOR COUNTRIES WITH SERIOUS B/P PROBLEMS, BUT RESTRICTIONS WOULD HAVE SERIOUS EFFECT ON PROMISING NON-TRADITIONAL MANUFACTURES. SECONDLY, HE SAID DEVELOPED COUNTRIES MUST BE PERSUADED TO APPRECIATE THEIR STAKE IN THE MAINTENANCE OF LA PURCHASING POWER. HE PROPOSED CREATION OF A SAFETY NET WITH A BASIC FUND OF FOUR BILLION DOLLARS. HE DID NOT SAY WHERE MONEY WOULD COME FROM, BUT EXPLAINED THAT THIS WOULD COMPLEMENT UNCLASSIFIED

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OTHER MEASURES ALREADY IN EFFECT.

5. PERU (BRIGADIER GENERAL JOSE LOAYZA AMERQUITA) AGREED THAT LA ECONOMIC SITUATION IS MORE DISCOURAGING THAN TWO YEARS AGO AND SAID PERU HAS DEFICIT FOR FIRST TIME IN SIX YEARS BECAUSE OF FALLING COPPER PRICES AND RISING COSTS OF FOODS AND OTHER IMPORTS. HE SPOKE OF PERU'S SUPPORT FOR STRENGTHENING COOPER EXPORTERS COUNCIL (CIPEC) AND

FOR FORMATION OF A WORLD ASSOCIATION OF RAW MATERIALS PRODUCING COUNTRIES, AND STRESSED PERU'S STRONG IDENTIFICATION WITH THIRD WORLD IN VARIOUS FORUMS. HE URGED CODE OF CONDUCT FOR TNC'S. THROUGHOUT GENERAL LOAYZA HEAVILY EMPHASIZED STEPS PERUVIAN REVOLUTION HAS TAKEN TO REDUCE INTERNAL SOCIAL AND ECONOMIC INEQUITIES. HE CONCLUDED BY COMMENDING TO ECLA THE IDEA OF ASSOCIATION OF LA COUNTRIES AS A WAY OF COPING WITH CONSORTIA OF FOREIGN CAPITAL, SAID LATINS SHOULD FASHION TREATMENT FOR DIRECT FOREIGN INVESTMENT, AND ECLA SHOULD CONTINUE HELPING TO ESTABLISH THE MOST FAVORABLE REGIONAL POSITIONS IN INTERNATIONAL FORUMS.

6. CUBA (HECTOR RODRIGUEZ LLOMBART, VICE-PRESIDENT, NATIONAL COMMISSION ON ECONOMIC, SCIENTIFIC AND TECHNICAL COOPERATION) SAID FAILURE OF IDS IS NOW CLEAR. APPARENT LA GLOBAL OVER-FULFILLMENT SO FAR OF IDS GOALS IS INFLUENCED BY FAVORABLE TRADE CONJUNCTURE RATHER THAN CONSCIOUS POLICY, AND IT CONCEALS INCREASING REPATRIATION OF PROFITS BY TNC'S, AND CONSEQUENT WORSENING OF B/P. IT ALSO CONCEALS FACT THAT MOST LA COUNTRIES WERE WELL BELOW 6 PERCENT GOAL. RODRIGUEZ IMPUGNED BRAZILIAN PROSPERITY, SAID BRAZIL HAD 90 PERCENT DROP-OUTS IN ELEMENTARY GRADES, AND 93 PER THOUSAND INFANT MORTALITY COMPARED TO 27 IN CUBA. CHILE, HE SAID, HAD 79 PER THOUSAND, AND THE "FASCIST MILITARY JUNTA" THERE WORSENS THE SITUATION WITH ITS CRIMES. (BRAZIL AND CHILE LATER TOOK FLOOR BRIEFLY, DEFENDING THEMSELVES WITH GENERALITIES; CHILE PROMISED DETAILED REFUTATION LATER.) RODRIGUEZ SPRAYED STATISTICS SHOWING OTHER CUBAN ACHIEVEMENTS IN VARIOUS ECONOMIC AND SOCIAL FIELDS.

7. RODRIGUEZ FOUND FAVOR WITH MUCH OF BOGOTA EXPERTS REPORT, PARTICULARLY ITS CRITIQUE OF US TRADE ACT, WHICH HE LABELLED "A BRUTAL LEGALIZATION OF REPULSIVE UNCLASSIFIED

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INSTRUMENTS USED BY THE MOST CRUDE IMPERIALISTIC TRADE POLICY." INDULGING IN STANDARD CUBAN ANTI-US RHETORIC, HE ATTACKED US FOR BLAMING PRESENT CRISIS ON OPEC COUNTRIES, SAID JOINT STRUGGLE OF LDC'S AND OIL PRODUCING COUNTRIES REQUIRED, QUOTING CASTRO'S WARNING THAT OIL PRODUCERS MUST MAKE LDC CAUSE THEIRS IF THEY WISH LDC SUPPORT. IN CONCLUSION, RODRIGUEZ HAILED VICTORY OF VIETNAMESE AND CAMBODIAN PEOPLES.

8. VENEZUELA (REPLACEMENT HEAD OF DELEGATION- REINALDO FIGUEROA, PRESIDENT, INSTITUTE OF FOREIGN COMMERCE) MADE A RELATIVELY BRIEF AND SERENE INTERVENTION, REFERRING TO LDC OBJECTIVES AT RECENT ENERGY PREPCON AND OBSERVING THAT PRINCIPAL CAUSES OF INFLATION, RECESSION AND UNEMPLOYMENT ARE WASTEFUL HABITS OF CONSUMPTION SOCIETIES. FIGUEROA SAID VENEZUELA STILL BELIEVED IN TRADE NOT AID, BUT FAVORED INTERNATIONAL

COOPERATION, AND WITHIN LIMITS OF ITS POSSIBILITIES HAD
SPONSORED VARIOUS FINANCIAL AID SCHEMES. HE SUPPORTED
SELA AND "AUTHENTICALLY LATIN AMERICAN" MULTINATIONAL
COMMERCIAL, PRODUCTION, AND TRANSPORT ENTERPRISES.
FIGUEREDO DID NOT MENTION US TRADE ACT.

9. OSWALDO DAVILA, REPRESENTATIVE OF THE BOARD OF THE
CARTAGENA AGREEMENT (JUNAC), AND A REPRESENTATIVE OF THE
WESTERN HEMISPHERE DEPARTMENT OF THE IMF GAVE ASSESSMENTS OF
LA ECONOMIC SITUATION IN THE LIGHT OF THEIR RESPECTIVE FUNCTIONS.
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